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## REPORT OF COMMITTEE P ON PENSIONS AND INSURANCE

In March, 1916, President Pritchett of the Carnegie Foundation for the Advancement of Teaching submitted to the teachers and the presidents of educational institutions associated with the Foundation a report entitled "Comprehensive Plan of Insurance and Annuities for College Teachers." Teachers in associated institutions were invited to submit suggestions and criticisms with respect to the proposed plan, and the report itself asked the coöperation of every teacher and president in the associated institutions in determining the question "whether the fundamental principles set forth in the report are those upon which sound pension administration and legislation must rest." This invitation, as well as the fact that the report proposes radical changes in the relationship existing between the Foundation on the one hand and the associated institutions on the other, vitally affecting all university teachers in the United States, led to the appointment of this Committee on Pensions and Insurance to investigate and report upon the proposals contained in President Pritchett's report.

Without attempting to state in detail the comprehensive plan of insurance and annuities for college teachers, it may be said briefly that in substance the plan proposes:

(a) The abandonment of the plan adopted by the Foundation ten years ago of providing for teachers in accepted institutions a retiring allowance to be paid during life, following the age of retirement, which is now fixed by the rules of the Foundation at a minimum of 65 years. The suggestion is made that since the adoption of the existing plan has created to some extent the just expectation of a retiring allowance on the part of teachers in accepted institutions, this expectation will be fully met in the case of all teachers in accepted institutions who are over 45 years of age, but that teachers under that age may profitably transfer to the proposed plan of insurance and annuities; and there is an inti-

mation that this transfer may be made by action of the Foundation, without the prior assent of the individuals affected.

(b) The substitution for the existing plan of the proposed comprehensive plan for insurance of college teachers, which in substance is a plan for insurance for college teachers until age 65, combined with the payment of annuities to teachers after age 65, or to their widows in the event of their death after reaching that age.

(c) The establishment of a plan for the payment of disability allowances, defined as follows: "In case of a teacher holding a contract for insurance and annuity, whose health completely fails after a service of 15 years as professor, or 20 years as professor and instructor, the Foundation would at its own cost continue to pay during the period of his disability the premiums on his life insurance policy and also a minimum pension of \$1200 a year."

It is proposed that the cost of insurance and annuities be borne one-half by the teachers themselves and one-half by the educational institutions to which the teacher is attached, and that the benefits of the plan be extended generally to teachers in institutions of higher learning in the United States and Canada.

The contribution of the Carnegie Foundation to the proposed plan is the cost of administration of the plan, provided the surplus from insurance and annuity funds is proved insufficient for that purpose, and the guarantee of an interest return upon all invested insurance and annuity reserve funds of  $4\frac{1}{2}$  per cent per annum; and it is suggested that the Foundation may bear the cost of the disability allowance as above suggested.

## I.

It will be observed that the essential element in the proposed change of plan is the transfer of the financial burden of making provision for members of the teaching profession, whether by pension or otherwise, from the Foundation to the teachers themselves and to the institutions with which

they are associated, and that so far as the Foundation itself makes any contribution to the proposed comprehensive plan, that contribution is to be spread out over so large an area as to make the benefits which it offers to any individual so slight as to be almost negligible.

President Pritchett's report makes it plain that the Carnegie Foundation has not sufficient financial resources to enable it to carry indefinitely the burden of the system which it has established. Under ordinary conditions, this might be deemed a sufficient reason for abandoning the existing plan and make it unnecessary to discuss the other reasons suggested in the report for proposing such action. It appears from the report, however, that the *Carnegie Corporation* an institution quite distant from the Carnegie Foundation has abundant funds which may be used for maintaining the existing system, although it is not bound to make such use of them. Since, therefore, abandonment of the plan may not be a financial necessity, and as the other reasons urged for its abandonment raise questions which are fundamental in the consideration of any plan for the financial benefit of the teaching profession other than by direct payment of salary, it is desirable that we should comment upon them very briefly.

On page 54 of President Pritchett's report he states in summary form his reason for believing that the existing pension system should be abandoned, as follows: "The fundamental defect in the existing pension system lies in the assumption that free pensions for college teachers would be permanently justified. In the light of ten years of experience and in the light of the experience of European pension systems, this assumption seems to rest upon a defective social philosophy. No permanent advantage will accrue to any calling or any profession by lifting from the shoulders of its members a load which under moral and economic laws they ought to bear."

It is to be noted that in reaching this conclusion emphasis is placed on the argument that it is the "*free*" pension which

is based on a defective social philosophy, for elsewhere in his report (page 12) President Pritchett reaches the conclusion that a pension system for the benefit of teachers is "demanded from the stand point of a just and humane social philosophy." He enumerates the reasons which may be urged for the establishment of a pension system for teachers as follows (pages 12, 13, 14):

1. The altruistic character of the teachers' profession.
2. The poverty of the teaching profession.
3. That a pension system is the only humane and feasible method by which aged and wornout teachers may be removed from the service.
4. The fact that college and university teachers as a class are separated from the usual commercial avenues of investment.
5. That college teachers constitute a group of employes in the economic sense, and that it is practicable to unite them for common protection.
6. That the maintenance of a pension system for college teachers has some effect in bringing able men into that calling.

While President Pritchett repudiates the first two of these reasons as offering any basis for a pension system, he accepts the others as justifying and requiring "the establishment and maintenance of a pension system for college teachers" (page 15).

While some of these reasons have at various times been advanced as a justification for the establishment of a pension system for college teachers, it may fairly be said that they do not singly or collectively state the reasons which were given, either by Mr. Carnegie or President Pritchett, upon the establishment of the Carnegie Foundation system of pensions ten years ago. The reason then urged for the establishment of the pension system was that by its establishment the cause of education would be aided by adding in substance to the remuneration of teachers in the form of a retiring allowance. And this allowance was established on the theory that, since it was in effect one form of remuneration, it was giving to the

teacher something that he was entitled to receive, thus adding to the dignity and security of the teaching profession and contributing to the cause of education.

Mr. Carnegie in his letter of April 16, 1905, in which he announced to the first Board of Trustees of the Foundation the purpose of his generous gift, opens with the sentence "I have reached the conclusion that the least rewarded of all the professions is that of the teacher in our higher educational institutions." President Pritchett in his First Report said (page 1) "It had for a long time prior to the establishment of this Foundation been evident that the time was approaching when, for the sake of education no less than of the teacher, the remuneration of the teacher's calling must be increased," and on page 2, "This gift to higher education was received with general approval. It was universally admitted that no wiser attempt could have been made to aid education than one that sought to deal in a wise and generous way with the question of the teacher's financial betterment." And on page 31,—referring to European experience it is said—"And inasmuch as the salaries of the teachers cannot be made equal to those of outside professions, this reward has come, in the main, by the establishment of a system of pensions to be paid to the professors themselves, to their widows and their orphans. In other words, the first and the largest ground for the establishment of systems of retiring pensions for teachers has been found in the wish to strengthen the profession of the teacher." On page 37, it is said "It is true that the real teacher finds in the joy of teaching his chief reward. The same thing is true of the highest class of men in any profession; but it is also true that as the rewards and the honors of a profession increase, it will become more attractive to men of ability, strength and initiative. In other words, the chief value of the establishment of a system of retiring allowances to the teacher in the higher institutions consists in the lifting of this uncertainty regarding old age or disability, in the consequent lightening of the load of anxiety, and in the increasing attractiveness of the pro-

fessor's life to an ambitious and enlightened man. All this tends to social dignity and stability." And in answer to the question "How this fund may be so used as . . . to strengthen the general interests of education?" President Pritchett says (page 37) "With regard to the second question, it is evident to the trustees that, to better the profession of the teacher and to attract into it increasing numbers of strong men, it is necessary that the retiring allowance should come as a matter of right, not as a charity. . . . It is essential in the opinion of the trustees that the fund shall be so administered as to appeal to the professors in American and Canadian colleges from the standpoint of a right, not from that of charity, to the end that the teacher shall receive his retiring allowance on exactly the same basis as that upon which he receives his active salary, as a part of his academic compensation.

"It is upon these two fundamental principles that the trustees and the Executive Committee have sought to build; and their whole effort has had for its aim the establishment in America, using that term in its widest sense, of the principle of the retiring allowance in institutions of higher learning, upon such a basis that it may come to the professor as a right, not a charity."

In the Second Annual Report of the Foundation, in a chapter entitled "The Carnegie Foundation, Not a Charity but an Educational Agency," it is stated (page 64) "that the retiring allowance must come as a right not as a charity; a thing earned in the regular course of service, not a charity."

It would be easy to multiply quotations from the annual reports of the Carnegie Foundation to show that the original conception of the pension plan adopted by the Foundation took very little account of the reasons which President Pritchett's report now states justify and require the establishment of a pension system—see "Comprehensive Plan of Insurance and Annuities" (page 15). Its principal aim clearly and repeatedly enunciated, was to promote the cause of education by increasing the security, the dignity and the

economic attractiveness of the scholar's calling, through the addition of certain forms of deferred salary to the teacher's eventual compensation. And this, so far as known to the teaching profession, has continued to be its aim until the publication of the "Comprehensive Plan for Insurance and Annuities for College Teachers."

The plan for retiring allowances thus conceived was put into operation. The teachers in accepted institutions and the educational world in general have accepted it in the spirit in which it was created. The Carnegie pension has not been regarded as a charity, the recipient of it has had no thought that he was receiving something for which he had given nothing. He has felt no embarrassment in receiving it, even though he might possess independent means.

It has remained for President Pritchett in 1916 to inform the recipients of the Carnegie pension that the pension is a "very gracious and noble charity" (page 54) and on page 56 of his report he states that the payment of a pension under such circumstances is an "embarrassing use of trust funds." This can be the case only when the original purposes of the pension system established by the Foundation are completely lost sight of.

If the Carnegie pension is a form of compensation, as it was intended to be at the time of its establishment, and as we believe President Pritchett establishes that it is or tends to become in his discussion of the topic "Are pensions wages" (page 34 of the report), then the only substantial social or economic question requiring to be answered in determining the desirability of the existing pension system is whether the American college teacher in receiving a Carnegie pension is receiving excessive compensation.

This was emphatically answered in the negative by the founder and by all those who were associated in the work of establishing the existing system, and we do not believe that the question is one which now merits serious debate or would receive any different answer if its consideration were dissociated from the immediate financial problem of the Foundation.



The fact that this compensation in the form of a pension is not received directly from the educational institution to which the teacher is attached does not appear to us to alter the case. The compensation of the teacher, whether paid by his college or university or by the Carnegie Foundation, has its ultimate source in benevolence, at least in the case of all institutions which do not receive state aid. A pension contributed to by the university whose only source of funds is private benevolence is a "*free*" pension to the same—but no greater—extent as if the contribution were made by the Carnegie Foundation or any other benevolent institution. The proposed change of plan, therefore, in so far as it shifts the burden of providing a pension allowance or annuity to the colleges or universities, does not appear to us to be based upon an essentially different social philosophy from that on which the existing system of Carnegie pensions is now based, and, in so far as it transfers the burden to the individual instructors, it appears to us to be in effect a reduction of the compensation to which they have heretofore justly regarded themselves as entitled, in the form of a pension "as a right, not a charity."

We believe that the original conception of the pension system adopted by the Carnegie Foundation, as an aid to education through the increase of compensation to the teacher, was based upon sound social and economic principles. It would not have been essentially different in principle had the Carnegie Foundation made additions to the permanent endowment of the several accepted institutions for the purpose of increasing salaries, except that by effecting the increase through the medium of the pension it relieved its beneficiaries from the burden of investing the salary increase, a burden which as a class they are relatively unfitted to bear. Nor do we find in President Pritchett's report any convincing evidence that the existing pension system is based on a defective social philosophy, or that if continued it will not realize its purpose, or that it ought to be abandoned for any reason except inability to provide adequate funds for its maintenance.

If financial exigencies necessitate a modification of the existing plan so as to require coöperation and voluntary contribution to it by teachers, in order to ensure the continuance of its benefits, then we are of the opinion that the contribution by the Foundation should be so substantial that such benefits would not lose their present character as a means for improving the status of the profession by sensibly increasing the rewards that it offers; and that, so far as possible, the original aim and purpose of the Foundation should be adhered to.

## II.

A suggestion made in President Pritchett's report which immediately concerns all of the teachers in accepted institutions is the proposal that teachers under 45 years of age should not be included in the benefits of the existing pension system. That the trustees of the Foundation clearly recognize that the Foundation is under moral obligation to the teachers in accepted institutions appears from their resolution of November 17, 1915, "That whatever plan is finally adopted will be devised with scrupulous regard to the privileges and expectations which have been created under existing rules" (page VIII). It becomes important at the outset, therefore, to inquire whether the proposed curtailing of those privileges and expectations is necessitated by financial inability to meet them, and if not, whether there is any moral justification for the discrimination against teachers in accepted institutions under 45 years of age. We were encouraged to believe that such necessity did not exist by the statement (page 81), "Mr. Carnegie has placed behind the institution he has founded [The Carnegie Foundation] a great corporation [The Carnegie Corporation] with an income far beyond the load which would be imposed by the present pension system."

In order, however, that a clear understanding might be reached on this point this committee, through its chairman, made inquiry of President Pritchett whether such necessity did in fact exist. To this inquiry President Pritchett has re-

plied, suggesting a gradual increase in the age of retirement from 65 to 68, and saying, "With this change in the rules the trustees may then fairly ask the Carnegie Corporation for its support in inaugurating the new system, and in maintaining the old one for all teachers now in the associated colleges, leaving to every teacher the option as to whether he would remain in the old system or enter the new." (Copies of the correspondence with President Pritchett are printed in an appendix.) While this does not answer definitely the inquiry whether there is financial necessity for excluding any teacher in an accepted institution, whatever his period of service, from the benefits of the existing system, we interpret President Pritchett's answer as an assurance that there are sufficient funds available, through the aid which the Carnegie Corporation may extend to the Carnegie Foundation, to meet the expectations of all teachers in accepted institutions, regardless of age, if such expectations are deemed to rest on a moral obligation of the Carnegie Foundation. If it should be found that the financial resources of the Foundation and the funds which may be availed of by it are insufficient for this purpose, then, of the various suggestions which have been made for reducing the benefits of the existing system, we regard a gradual change in the minimum age of retirement as perhaps least objectionable.\*

That, however, such moral obligation exists is not, in our opinion, open to serious debate. It is the common observation of every man of experience in the teaching profession that the expectation of a retiring allowance is an important factor with many a teacher, not only in the choice of the profession, but, in many instances, in his choice of the institution in which he will practice that profession.

There are few men in administrative positions in our colleges and universities who cannot recall cases of young men

\* This statement does not imply an approval of such a step, by the members of this committee, or the endorsement of any policy looking to an advance in the minimum age of retirement. Such proposal is not made in the comprehensive plan and is open to serious objections.

who have given up more lucrative professions to adopt the calling of the teacher, and have been influenced in doing so, in part at least, by the expectation that they would be entitled to the retiring allowance.

In the first annual report of the Foundation it was stated (page 37) that one of the principal ends to be realized by the pension system was the attraction of strong men into the teaching profession. In the report for 1912 (page 86) it was stated that the pension system "will have its influence in inducing men to remain permanently in the teaching profession," and in the present report, President Pritchett comments on the fact (page 34 and page 54) that the prospect of a pension is held out as an inducement to teachers to accept positions in associated institutions, and properly so, we may add, since, as we have already pointed out, the original conception of the pension system was that it was a form of additional compensation to the teacher.

Moreover, it is undoubtedly a fact that many teachers under 45 years of age have already made provision for life insurance of such character that it would be impossible for them to transfer to any other system without financial loss; while others, in expectation of the promised pensions, have failed to make provision for their old age, and can now make such provision, if at all, only by serious financial sacrifice. As President Pritchett points out in his report, "The man of 30 who looks forward over an interval of 35 years" to the acceptance of a pension "will pay for it in one way or another before he receives it." If pensions are wages, or if an instructor "at \$1500 a year who is offered \$1800 to go to another college is induced to remain where he is under the expectation of a pension 30 years later, not realizing that the difference in salary will pay for the pension several times over," then teachers in accepted institutions have been paying for their prospective pensions, of which it is now proposed they shall be deprived.

But the question of moral right is not one affecting individuals alone; it affects the accepted institutions. All of them

have consciously shaped their policy in relation to employment, compensation and retirement of teachers with definite reference to the pension system of the Carnegie Foundation. A number of them have abandoned or modified established pension systems of their own, as in the case of Columbia, Harvard and Yale, in reliance upon the pension system of the Carnegie Foundation which they have substituted for them. Others, in response to a definite offer of the Foundation to place them on its accepted list if they would comply with certain stipulated conditions, have made changes in their constitutions and in their denominational relations. Yet others, in return for the extension of the benefits of the pension system to them, undertook to provide retiring allowances for their teachers not eligible to the benefits of the Carnegie Foundation, and are now under moral, if not legal, obligations to make provision for the continuance of those benefits.

Thus it seems clear that the Carnegie Foundation is under moral obligations, not only to individuals, but to the institutions themselves, not to deprive teachers in the accepted institutions of their present expectancy of a pension. There is no middle ground for the compromise of moral obligations. We are therefore of the opinion that the Carnegie Foundation should not assume any new function until its present obligations both moral and legal are examined with precision, and provision made explicitly for meeting those obligations, and we believe that the Foundation is under the strongest moral obligation to include within the benefits of its existing pension system all teachers in accepted institutions, regardless of their age, to whom its present regulations were applicable in the academic year 1915-16.

### III.

With reference to the proposed "Comprehensive Plan of Insurance and Annuities" we would say at the outset that we consider that the existing pension system of the Carnegie Foundation might properly be supplemented by some system of mutual insurance, with special provision for disability and

for teachers who are not of sound qualifications—that is of sub-standard physical qualifications—and for widows' allowances, the benefit of which system might well be extended to instructors in institutions not on the accepted list of the Foundation. Such a system should be mutual in character, so conducted that the beneficiaries of the plan would control its management and be entitled to participate in any surplus accumulation of insurance funds, and it should offer to all participants a definite contract. The existing pension system does not offer adequate protection against the risk of disability and it offers no protection for the risk of death before the completion of 25 years of service.

We believe that the Foundation could render a highly useful service to college and university teachers by the use of its organization in the collection of data and in assisting, in conjunction with representatives of the teaching profession, in the organization of such a plan of insurance, the cost of which should be defrayed from premiums paid by the insured. The members of the teaching profession undoubtedly constitute a group having common aims and experience such as make entirely feasible and desirable the establishment of such a plan of insurance. But we find ourselves unable at this time to approve of the proposed comprehensive plan of insurance and annuities, both because it is proposed as a substitute for a plan which we believe should not be abandoned in principle—because it does not itself contribute to the advancement of teaching—and also because we are not satisfied that the proposed plan is not open to serious objections, which should be subjected to systematic study and to the scrutiny of experts before it is finally adopted.

The past experience of the Foundation and its present financial embarrassment should serve as a warning of the perils involved in the laying out and putting into operation of an insurance plan for the payment of pensions and annuities extending over an indefinite period into the future and lacking in its statement many of the details on which must necessarily depend its success or failure. The members of

this committee have acquired from their recent experience. a lively sense of the concern, not to say mental distress and financial loss, which may result from the failure or abandonment of such a plan after the great body of teachers have come to rely upon its protection.

We believe, therefore, that before the adoption of the proposed plan, or any plan which undertakes the establishment of a scheme of life and disability insurance and the payment of annuities to college teachers, additional data and detailed information should be available for study and criticism. No doubt such data have been gathered and considered by the Foundation, but before an invitation is accepted to participate in a plan involving the ultimate investment of a large sum of money by members of the teaching profession, and affecting vitally the future of college and university teachers throughout the country, we believe that a specific statement should be prepared and submitted by the Foundation showing its liabilities, accrued and prospective, under the existing plan, whether moral or legal. It will then be possible to ascertain definitely what financial resources are available, and therefore whether they are sufficient to ensure the success of the proposed plan of insurance and annuities or of any other plan which may be adopted involving participation by the Carnegie Foundation.

There should also be prepared and submitted a statement showing the prospective progress and details of operation of the proposed plan for insurance and annuities, as estimated in advance during a term of years, presumably at least for two generations. For this purpose the Foundation should prepare and present a schedule showing the estimated operations of the insurance company and the savings or annuity fund. It should show the number of lives, classified as to age, that are expected to participate in the plan at the present time, with the estimated increase in membership from year to year. It should show the income in the way of premiums, the expected or estimated contributions of various institutions and colleges, the interest income, the expected death claims, the

expense, and the annual amount which must be reserved to meet the reserve requirements of the New York insurance law. Such statement when prepared should be submitted to a committee or committees of representative teachers and of representatives of some recognized organization of actuaries, such as for example the Actuarial Society of America.

Then and only then will it be possible, we believe, to form an intelligent judgment as to the probable financial success of the plan and as to the real service which it is capable of rendering to the teaching profession. In order that adequate opportunity may be had for such study of the problem and the formation of such judgment, we are of the opinion that a period of at least one year is necessary, and we respectfully suggest that formal action with respect to this or any other plan of insurance and annuities for college teachers should be postponed at least one year from the date of the meeting of the trustees of the Foundation to be held on the 15th of November, 1916.

It also seems to the committee desirable, and it therefore requests, that opportunity be given to representatives of the American Association of University Professors to be present and to be heard at that meeting of the trustees. And in view of the importance of the subject and its far-reaching consequences to all university teachers in America, we venture to express the hope that no plan of insurance or annuities for university teachers will be adopted by the Foundation without further consultation with the Association.

We believe also that the consideration of this and other problems affecting the interests of university teachers would be facilitated and greater coöperation insured if the policy were adopted of electing university teachers to the Board of Trustees of the Carnegie Foundation from time to time as opportunity presents.

We think that a consideration of the details of the proposed plan at this time is of minor importance. Nevertheless it is desirable that we should direct attention to some of the numerous criticisms of it which appear to us to raise questions



which, so far as can be gathered from President Pritchett's report have not received adequate consideration. With respect to a number of these the committee expresses no opinion, for it has had neither the time nor the resources to enable it to make any thorough investigation of them. But if sufficient opportunity is afforded for the study of the details of the proposed plan of insurance and annuities, as we have already suggested, then we believe these criticisms should receive careful consideration. Among them may be mentioned the following:

(a) The proposed plan for insurance and annuities does not provide with sufficient definiteness for a plan of mutual participation, whereby the participants in the plan shall share in its management and in the accumulated surplus.

(b) The proposed disability benefit limits the payment of the benefit to professors who have been in service 15 years or more. In our opinion disability ought to be defined as disability from carrying on university service for any time during the period of service, and adequate provision made to insure against disability as thus defined. The consequences of the teacher's disability are usually much more serious during the earlier years of the period of service than in the later years.

(c) The difficulties of establishing a plan of insurance which would be compulsory for all participants have not received sufficient consideration. We are of the opinion that the compulsory feature of the plan is open to serious objection, and that it is doubtful whether it can be carried into practical operation. Among the objections which may be briefly enumerated are—that it restricts unduly the freedom of the individual teacher; that state universities and colleges would find themselves legally incompetent to contribute to a scheme for the benefit of teachers, and that an attempt to render them competent to do so through process of legislation would involve the entire vexed question of insurance for state employees; that the tendency would be to take from the teacher's salary the share contributed by the college toward his

insurance by deferring increases of salary; that teachers already carrying commercial insurance would be unwilling to give up such insurance; or to continue it with the added burden of compulsory insurance; and that many of those who have heretofore not taken commercial insurance would probably have valid reasons for declining to participate.

(d) The plan does not sufficiently disclose whether participants in it are to be subjected to a medical examination, and, if such examinations are to be made, it does not make adequate provision for those who are sub-standard risks. If no medical examination is to be required, it does not appear whether there are sufficient data available on which to base an estimate of the cost of this class of group insurance for long periods. In the absence of such data the acceptance of such risks would imperil the success of the plan.

(e) It has been urged by some that a plan for insurance of teachers could be devised and carried into effect with established insurance companies, eliminating agents' commissions, at a cost not substantially greater than the cost of insurance under the plan proposed, but with the added benefit of the experience, stability, and established organization of the better commercial insurance companies. Without expressing any final opinion upon this contention, we may say that it is not clear from President Pritchett's report what saving in cost of insurance is effected over the cost of insurance on a similar plan which might be effected with the commercial companies. Such information as we have been able to gather indicates that the difference in cost would be very slight, and that by carrying into effect the proposed plan the Carnegie Foundation would substitute for its former activities a venture into a field new to it, not free from business hazards, but long and successfully occupied by others, without any definite expectation of substantial financial advantage.

(f) The proposed plan does not make clear that there is any definite separation of the insurance from the annuity plan, and is in any case too rigid, and does not offer sufficient variety of types of insurance to be adaptable to the needs of university professors.

(g) Adequate consideration has not been given to the possibility of combining with the proposed savings fund a provision for decreasing term insurance so that as the savings fund increases the amount of insurance may decrease with consequent saving of its cost.

(h) No definite provision is made for the payment of dividends or other disposition of surplus accumulation under the proposed plan.

(i) Sufficient consideration has not been given to the position of one who withdraws from the teaching profession and wishes to continue his insurance upon a proper basis.

(j) No consideration has apparently been given to the relative age of professors and their wives and to its effect on the cost of the annuity.\*

(k) No provision is made for enabling those who already have insurance to avail themselves advantageously of the benefits of the proposed plan.

The unfortunate financial history of the Foundation, the suggested change in its fundamental purpose under the guise of a change of rules relating to its administration, the defects and omissions in the proposed Comprehensive Plan of Insurance and the unconvincing character of the reasons which are urged for the change, have resulted in a loss of confidence in the Foundation on the part of American university teachers. No man enjoying a wide acquaintance with members of the profession can have any doubt of this fact. If evidence of it were needed, it may be found in the reports of various committees of university faculties, appointed to consider the Comprehensive Plan of Insurance and Annuities, such as for example, the reports of Cornell, Harvard, Princeton, Stanford University, the University of Wisconsin, and Johns Hopkins University. Such lack of confidence must inevitably impair the usefulness of the Foundation, and make it difficult, if not impossible, to solve satisfactorily the problems which are

\* This objection has apparently been met in the non-confidential copy of President Pritchett's report which, however, was not in the hands of the committee at the time of preparing this report.

pressing for solution. We deem it of the highest importance that every effort should be made on the part of those interested in the promotion of the purposes of the Foundation to repair that loss. For the full realization of this end four things seem to us chiefly requisite. The first is the publication by the Foundation of a definite assurance that it will completely fulfill any expectations held out to teachers in the associated institutions by the present rules. The second is a strict adherence to the fundamental principles and purposes indicated by Mr. Carnegie in his letter of gift and repeatedly enunciated in the early public declarations of the Foundation, on the basis of which the existing system was established. The third is the encouragement of a more active and direct participation of the teaching profession in the management of the Foundation and in the consideration of questions which gravely affect the future of the profession and of the American universities and colleges. Finally it seems to us essential, if the Foundation is to enjoy the confidence of the academic profession and attain its highest usefulness, that it should be recognized that for it, even more than for other institutions, definiteness and steadiness of purpose and stability of policy are indispensable. It is our earnest hope that the future work of the Foundation with its potency for notable service to American education may be firmly based upon these principles.

The Committee:

THOMAS S. ADAMS, Yale University.

FRANCIS H. BOHLEN, University of Pennsylvania.

WALTER W. COOK, Yale University.

F. S. DEIBLER, Northwestern University.

FRANK H. DIXON, Dartmouth College.

THOMAS C. ESTY, Amherst College.

W. F. GEPHART, Washington University.

JOHN H. GRAY, University of Minnesota.

HENRY B. GARDNER, Brown University.

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OTTO HELLER, Washington University.

JACOB H. HOLLANDER, Johns Hopkins University.  
 S. S. HUEBNER, University of Pennsylvania.  
 JOSEPH JASTROW, University of Wisconsin.  
 E. W. KEMMERER, Princeton University.  
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 H. L. RIETZ, University of Illinois.  
 ASHLEY H. THORNDIKE, Columbia University.  
 HENRY S. WHITE, Vassar College.  
 W. F. WILLCOX, Cornell University.  
 HARLAN F. STONE, *Chairman*, Columbia University.

# APPENDIX

August 26, 1916.

PRESIDENT HENRY S. PRITCHETT,  
 Carnegie Foundation,  
 276 Fifth Avenue,  
 New York City.

*My dear President Pritchett:*

There will be a meeting of the Committee of the American Association of University Professors on Pensions and Insurance in New York City some time in September at which time I hope to have in hand the material necessary for a thorough consideration and discussion of the report of the Foundation on the subject of pensions and insurance.

The passage in the report which has apparently caused most concern and discussion consists of the three sentences at the top of page XVIII (in the non-confidential issue). This has generally been construed as meaning that the administration of the Foundation is seriously considering a plan whereby

(a) Teachers under a certain age—the age of 45 being tentatively suggested—who are by the existing rules entitled to receive eventual retiring allowances, will fail to receive such allowances as the present rules specify; and whereby, also,

(b) Such teachers, unless they and their institutions qualify under the proposed new plan of contributory pensions, will be

deprived of any benefits whatever from the pension system of the Foundation.

It is, of course, important that our committee, before preparing its report, be sure whether this interpretation of the sentences mentioned is the correct one. I shall therefore be greatly obliged if you will inform me whether any plan which would thus nullify certain of the expectations naturally created by the present rules, is under consideration.

If such is the case, it would then seem important for our committee, and the profession at large, to know whether the Foundation's consideration of the step above referred to is due to a belief that the funds held and obtainable by the Foundation will prove insufficient for the payment of all the eventual claims of persons now having legitimate expectations of pensions, in now accepted institutions; or whether the contemplation of this step is due wholly to a change of view respecting the general social expediency of non-contributory pension systems. I recognize, of course, that both reasons may, in fact, have had weight. The opinion of our committee, however, may possibly depend a good deal upon whether—apart from all other considerations—a nullification of certain of the existing expectations appears to you to be unavoidable, upon purely financial grounds. I understand that, in any case, you regard it as financially impossible that the Foundation should continue to take on further obligations on the same scale in the future as in the past. My present inquiry does not refer to this point, but to the existence of a fiscal necessity for a modification of the rules which would affect teachers *already* in the faculties of the associated institutions.

If such necessity exists, it would, I think, interest our committee to know whether the administration of the Foundation has considered whether or not a general *pro rata* reduction of the scale of pensions might be more equitable and expedient than the complete exclusion of a certain class of teachers now in accepted institutions, by the imposition of an age limit,—which would necessarily be determined somewhat arbitrarily.

I ought, perhaps, to add that any information which you may be so good as to send me, in reply to these inquiries, will be regarded as intended for communication to the committee as a whole, and, through the committee, to the members of the Association.

Yours very truly,

HARLAN F. STONE.

JUNIPERO PLAZA, SANTA BARBARA, CAL.,

September 6, 1916.

*My dear Dean Stone:*

I am very glad to answer your inquiry of August 26 as fully as possible. My answer, however, carries no more than my own judgment. The trustees of the Foundation have not taken any action with respect to my report. It is their intention to make use of all opinions, such as for example that which will come from your committee. I can, however, give you my own judgment, and indicate the kind of recommendation I shall make.

We have now received from the teachers of the associated colleges a full expression of their opinion as to the relative desirability of the two plans. With few exceptions these teachers approve the following general principles:

I. A pension system should be a part of a comprehensive relief system. Many teachers consider the insurance benefit of greater importance to the teacher than the pension benefit.

II. The teachers prefer to pay their full share of the cost of any pension or relief system.

III. The contributory plan, with annual reserve set aside year by year, is recognized as permanent and financially sound.

IV. The reasonable expectations of teachers in the associated colleges should be regarded as a first obligation upon the resources of the Foundation.

Almost universally the teachers in the associated colleges raise the inquiry whether the present pensions will be discontinued at a definite date in the future, and if so, at what age. This is the *argumentum ad hominem* which is in every man's mind, and however teachers approve the general principles of the proposed pension plan for future generations, they prefer, almost without exception, to have their own pensions paid by the Carnegie Foundation, although it is to be said that these expressions come mainly from men well along in years. Outside the personal question involved, these men very naturally dislike the notion of a sharp line of division between teachers in these colleges. There is an evident feeling among the older men that they do not wish to be put in the position of security while their younger colleagues are omitted.

This is precisely the question raised by your letter, and I now proceed to answer your inquiry so far as it can be answered by me as president of the Foundation.

In recommending to the trustees the system which I last year presented I have approached the question entirely from the standpoint of what sort of relief system for teachers is needed, what is socially just and what is financially sound and enduring? I have left out of view the financial future of the Carnegie pensions altogether, for the reason that if the Carnegie Corporation deems it wise to carry on the present pension system indefinitely, the Corporation has the means to enable this to be done. I have conceived it to be my duty to approach the question from the standpoint of what is wise and feasible and permanent in pension systems. The determination how long the present pension system shall be continued is however a part of the whole question, and it is a part which involves most directly personal considerations and interests.

As to how this shall be decided various opinions are expressed in the letters of the teachers sent to the Foundation. An extreme view is that the Foundation is morally obligated to offer a retiring allowance upon the present basis to every teacher in the associated institutions. It is held that the youngest instructor, who last year entered any of these colleges, has a moral (if not a legal) claim to a pension a generation hence.

It is interesting to remember that ten years ago when the Foundation announced its pension plan, and reserved in specific terms the power to change these rules in the future in such manner as experience might show to be in the interest of the great body of teachers, some of these teachers sharply criticised the Foundation on the ground that it committed itself to nothing. A few teachers in universities which had already established pension systems were particularly strong in their protests because, as they held, the college systems which were displaced were of contractual nature, while the Carnegie pensions carried no guarantee.

It seems clear that the present system must not be terminated in a manner to bring hardship or inconvenience upon teachers whose plans for the future have been shaped to meet the benefits contemplated under the rules. It is, I think, equally clear that the claim that a young instructor just entered one of these colleges has a vested right in a pension 35 years hence is groundless. Such a claim would not be approved if submitted to a fair and unprejudiced tribunal.

My view is, however, that it is not wise or desirable to go into any detailed examination of what may be the exact measure of obligation which the Foundation has assumed as



to the expectations of these teachers. It is better to carry out a more than generous provision if it is possible to do so, rather than have any feeling of disappointment such as might be created by dividing the teachers of the associated colleges by an arbitrarily drawn line.

I have been led to the following conclusion as a just and fair settlement, in large measure by the suggestions of teachers themselves. I am also influenced, as must be the trustees of the Carnegie Foundation, by the fact that any plan for the long future involves the coöperation of the Carnegie Corporation. These trustees must consider their obligation to other causes, and to other institutions founded by Mr. Carnegie. It is therefore incumbent on the trustees of the Foundation in making their recommendation, to remember the obligations of the Corporation as well as their own obligations to teachers in the associated colleges.

In the letters sent to the Foundation relative to the two plans, there is a very general agreement that 65, the minimum age of retirement, is set too low. Army officers only retire at 64, and a teacher at 65, if in good health, ought to be at the maximum of his powers. Suggestions are made to raise this limit to as high as 70, to my thinking entirely too high a limit. There would, however, be general agreement that 68 is a fitting compromise, retaining of course the present arrangement which enables a teacher to retire five years earlier with the coöperation of his college. In order to make as little inconvenience as possible, 66 might serve as the retiring limit for a given period, 67 for a similar period and 68 thereafter.

With this change in the rules the trustees may then fairly ask the Carnegie Corporation for its support in inaugurating the new system, and in maintaining the old one for all teachers now in the associated colleges, leaving to every teacher the option as to whether he would remain in the old system or enter the new.

In considering this question I have tried to remember not only the teachers of the associated colleges and the responsibilities of the Carnegie Foundation and the Carnegie Corporation, but also to bear in mind the interests of the 25,000 college teachers outside the associated colleges. To them as yet we have no formal or legal obligation. But neither the trustees of the Foundation nor the American Association of University Professors will desire to leave their interests out of view. The situation is one calling for fair, unselfish and generous thinking from all those who deal with it.

I am very sincerely yours,  
HENRY S. PRITCHETT.